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SUBJECT: THE RESULTS ARE OFFICIAL AND THE COALITION COUNTDOWN
COMMENCES

¶1. (SBU) SUMMARY: The official results of the February 10 elections confirmed that Kadima has a one-seat lead over Likud, established Yisrael Beiteinu Party (YBP) as the third largest party, and consigned the Labor Party to fourth place. President Peres embarked on consultations with twelve parliamentary faction leaders on the evening of February 18 and aims to conclude these discussions within two days and announce which MK he will entrust with forming a government. While Kadima recommended its leader Tzipi Livni to head a broad-based, centrist government and Likud recommended chairman Netanyahu, Yisrael Beiteinu leader Avigdor Lieberman surprised the pundits by recommending Netanyahu - with the recommendation that Netanyahu form a broad-based government starting with the three largest parties: Likud, Kadima and Yisrael Beiteinu. Given Netanyahu's right-wing majority bloc, the President may not keep with tradition and give the leader of the party with the plurality (Kadima) the first opportunity to form a majority government. This decision poses a considerable dilemma for Peres who is expected to move to a decision within a few days. Peres by law must task a member of the Knesset by February 25 at the latest. End Summary.

THE PARTY VERSUS THE BLOC

¶2. (SBU) Kadima's slender victory - 28 Knesset seats to Likud's 27 in the 120-member Knesset -- is not the sole source of Livni's vulnerability. Despite its second-place finish in the elections, Likud is able to speak of a "camp" or "right-wing bloc" of support and has now garnered the endorsement of 50 members of Knesset -- excluding the conditional support of the leader of the Yisrael Beiteinu Party (YBP - 15 seats). Netanyahu could form a narrow right-wing coalition of 65 with YBP support if he were able to reconcile their demands for a more secular state with those of the Haredi (ultra-Orthodox religious) parties. Even without YBP, Likud has far more declared support from its allies in the 18th Knesset than Kadima, which has no allies at this time.

¶3. (SBU) Party endorsements, however, are only part of the scenario which the President must take into account. The latest word on Labor's position is that they will endorse neither of the leading parties and will go into opposition, but this could change. The left-wing Meretz, which ran on an anti-YBP campaign, says it will not endorse either the leader of Kadima or Likud, parties that Meretz fears will reach out to YBP. The same may be said of the three Arab parties. Israel's real-politik dictates, however, that what the party leaders say to the president and what they do once coalition talks commence may be unrelated.

LIEBERMAN & COMPANY: POWERBROKERS UNLIMITED

¶4. (SBU) Two days after the polls closed on February 10, the YBP leader Avigdor Lieberman left Israel for vacation in Byelorussia. His right-hand man, MK Stas Misezhnikov - most recently the chairman of the Knesset's powerful finance committee, moved swiftly to stake out YBP goals. Before any coalition contacts commenced, the YBP

submitted a list of demands to Likud and Kadima regarding civil marriage and citizenship. The media had barely digested the maneuver before Livni had phoned Lieberman to inform him of her agreement to all his terms, sparking major speculation that a Livni-Lieberman alliance was in the making. The coalition arithmetic, however, still fell short. Most commentators have argued that if Peres were to task Livni with forming a government she would fail just as she did after winning the Kadima primaries in September 2008.

15. (SBU) On February 19, Lieberman confounded all the pundits' predictions that he would not recommend anyone to the President (or perhaps recommend himself), by endorsing Netanyahu, while urging the Likud leader to form a broad-based government that starts with the three largest parties. "Bibi (Netanyahu) needs to get used to the idea of a broad-based government rather than a narrow one," Lieberman told reporters, adding: "and Tzipi (Livni) needs to get used to the idea that there won't be any rotation." (Note: There has been much speculation regarding whether Livni and Netanyahu would repeat the power-sharing precedent established by Shimon Peres and Yitzhak Shamir, who each served two years as PM during the early 1980's. Livni has been open-minded about such a prospect, but Netanyahu rejected it.)

THE PRESIDENT'S DEFAULT OPTION

16. (SBU) Much as President Peres may wish to keep with tradition and offer the task of forming a government to the leader of the largest party, he is not required to do so by law. Netanyahu's Likud, at the last count, has the support of Shas with 11 seats, the Jewish Home party's 3, and the National Union's 4. Having agreed to

most of Yisrael Beiteinu's platform demands in general terms, and in light of Avigdor Lieberman's recommendation to the President, Likud may now add their 15 seats and even 5 from United Torah Judaism (UTJ) -- if Netanyahu can square the circle between YBP's insistence on civil marriage legislation and the vehement opposition of Shas and UTJ.

LABOR: DOWN BUT NOT ENTIRELY OUT OF THE GAME

17. (SBU) Lieberman's man-of-the-hour status is misleading. There are more than three parties with a stake in the political game and the paradox of Israeli politics is that often significant power at the top depends on maintaining control of several small (often ideological or single-issue) players at the base of the pyramid. One of the largest of the smaller players is the Labor party which, according to its chairman Ehud Barak, is destined for the opposition benches. The record shows, however, that when coalition negotiations commence, Labor is always loathe to enter the political wilderness of the opposition. Labor should not be ruled out as a possible coalition partner, and Netanyahu has made clear that Barak remains his top choice for Defense Minister.

SHAS: PROMISE US THE MONEY

18. (SBU) Shas preserved its 11 seats in the 2009 elections, but has less leverage now than it did in the fall of 2008 when it blocked Livni's efforts to form a government after she failed to promise sufficient money for child allowances demanded by Shas. Shas, like Labor, abhors the opposition, and has endorsed Netanyahu. But Shas is also supportive of including Kadima in a broad coalition government. On the peace process, Shas' opposition to negotiations on Jerusalem put them more squarely in the Likud camp than in Kadima's (as this was the other key issue that led to Livni's failure to form a government with members of the 17th Knesset in 2008). Yisrael Beiteinu's demands are problematic for Shas (and UTJ) but do not necessarily rule out compromise.

THE PRESIDENT'S CHOICE IS THE PEOPLE'S PREFERENCE

¶9. (SBU) President Peres is no longer a member of the Knesset, but he still retains the unofficial title of Israel's oldest and most experienced parliamentarian. He will bring all his skills and very substantial historical memory into play over the coming days. He is devoting two days to consultations with the 12 faction leaders whose parties crossed the two percent threshold of the popular vote to win seats in the Knesset. The latest reports indicate that Peres will announce his choice of which party leader is to form a government early next week. It is not beyond the authority of the President to suggest to Netanyahu and Livni that they engage in dialogue -- something they have so far avoided -- and there are already press reports that indicate the President may summon Livni and Netanyahu to private meetings on February 20. However, the law does not permit the President to engage in any way in the process of the formation of a government. Amid considerable anticipation that the President may call on Kadima and Likud to form a government together or agree to a power-sharing system of rotational leadership, the President has been cautious in his statements, saying only that he intends to "comply with the people's desire and the people do not want me to impose anything."

BRINKMANSHIP VERSUS THE CLOCK

¶10. (SBU) If the statements of Tzipi Livni are anything to go by, she has made it clear that the only scenario in which she would contemplate collaboration with Netanyahu is in the framework of a government she will head. In a first reaction to Avigdor Lieberman's recommendation of Netanyahu to the President and his call for a broad-based government, Livni said: "Kadima and I have a plan of action ranging from advancing the peace process to fighting terror and domestic issues that require fixing and I'm not about to change any of it and I will not provide a fig-leaf for a government of diplomatic paralysis. That's what I have said and that's how I plan to proceed." Commentators are already interpreting this as a Kadima ploy to raise the negotiating stakes, and perhaps in this vein Livni and fellow Kadima members announced on the afternoon of February 19 their intention to head to the opposition. Netanyahu, for his part, has said he will invite Kadima to join his government after he has knitted together his right wing. The two positions would appear to be mutually exclusive, and this creates an opportunity for the President to encourage the two contenders to work together. The deadline established by law gives the first candidate designated by the President a maximum of 42 days to put a coalition together.

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